Swedish Smorgasbord Draws U.S. Exporters

By Bjorn Engstrom

Sweden's consolidating and restructuring food industry is not only streamlining the Swedish food chain, but is also offering new opportunities for U.S. exporters.

Reorganization of the food sector has been accompanied by a burgeoning demand for convenience and health-oriented foods and beverages. The Swedish market is also expanding for international and ethnic cuisines, including foods uniquely associated with certain regions in the United States.

Swedish consumers are also willing to pay higher prices for products that are perceived to meet their environmental and health concerns. Although this relatively small market subsector has a limited variety of products, these segments can provide opportunities for U.S. suppliers.

These consumer trends mesh handily with traditional U.S. exports to Sweden. Over half ($73 million) of U.S. exports to the country in calendar year 2002 were consumer-oriented products. Total U.S. agricultural exports to Sweden last year came to $141 million, making the United States Sweden's 12th largest foreign agricultural supplier, with a 2-percent share of its total imports.

In 2002, food industry retail and HRI (hotel, restaurant and institutional) combined sales totaled $20.6 billion, split between $14.6 for retail and $6 billion for the HRI sector. Industry growth is expected to continue at about 1-2 percent a year.

Sweden Following European Trends

Sweden has gradually become part of the EU (European Union) food industry scene, especially since its accession in 1995.

While Swedish retailers were relatively isolated from the rest of Europe in the past, large European chains have become increasingly interested in the Nordic market, even as Sweden's own retailers consolidate.

Due to this consolidation, three large food import groups in Sweden distribute to over 70 percent of the retail sector. Merging is also very evident also in the retail sector. From 1970 to 2002, the number of food retail outlets in Sweden dropped from 13,000 to 6,060. In 2001, about 75 percent of Swedish retail food sales were through supermarkets and hypermarkets. Discount stores accounted for half of new food retail outlets.

Fast Food Outlets Growing

Currently, a few large companies supply the HRI sector. The fact that Swedes eat about a fifth of their meals away from home is reflected in 2001 sales for HRI of $6 billion. Restaurants accounted for $3.2

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billion in food sales, while hotels took in $1.9 billion. Institutional food sales tallied another $720 million.

In Sweden, institutions are usually run by government agencies, either local or national. The popular fast-food outlets usually belong to national or international chains, while restaurants are mostly family businesses. Large international restaurant chains are finding a hospitable climate for operating in-country.

Best High-Value Prospects

When deciding which products stand the best chance of succeeding in Swedish stores, several characteristics of the retail sector should be considered.

Retailers aggressively promote their own private labels through TV and newspaper ads. And as consumers eat more—and more often—outside their homes, the large retailers find themselves competing with the HRI sector, ergo the development of in-store delis and an emphasis on ready-to-eat or prepared food products.

But consumer resistance to products containing ingredients produced through biotechnology now impedes sales of U.S. products in Sweden. On the other hand, a strengthening Swedish krona has made U.S. goods more competitive.

Products to consider:

- Candies
- Dried fruits
- Fresh fruits
- Frozen vegetables
- Nuts
- Processed fruits and vegetables
- Rice and rice mixes
- Seafood
- Snacks
- Wines
- Pancake and cake mixes
- Ethnic foods
- Sauces
- Convenience foods and meals
- Vegetarian processed products
- Organic products
- Barbeque sauces and seasonings
- Pet foods

Inputs for Food Processing

The domestic food processing industry, mostly privately held, accounts for 80 percent of the food consumed in Sweden. Five food processors supply half of the retail stores' purchases.

Food processors purchase their raw materials or ingredients directly from their suppliers or through wholesalers. About 40 percent of supplies for this sector are imported and include vegetables, fruits, juices, coffee, cocoa and fishery products.

Farm cooperatives are also powerful in the food processing industry. They have a virtual monopoly on domestic dairy production and are market leaders in the meat, milling and bakery sectors.

Since Sweden attained EU membership, several of its food processors are emphasizing exports of cheeses, candies, snacks and condiments.

Punctuality, Please

Food importers must be registered with Sweden's National Food Administration. Before attempting to export to Sweden, a prospective U.S. supplier should research the market:

- Assess product opportunities; determine marketing strategies.
- Compare landed cost of a product with costs of competitors.
- Locate an experienced, reputable distributor or agent with good distribution channels.
- Explore purchasing arrangements with large chains.

Finland's Food Sector Similar

The Finnish food sector, with an annual turnover of $17 billion (retail and HRI), is similar to Sweden's but operates on a smaller scale. However, with a per capita income close to Sweden's $24,582, its 4.2-million population spends an average $1,225 a year on food compared to Sweden's $1,716.

At $2 billion, the value of Finland's annual food, agricultural and seafood imports is just over a third of Sweden's yearly $5.3 billion worth.

- Consider using USDA's Supplier Credit Guarantee Program to make credit terms more attractive to importers.

Newcomers to the Swedish market must be willing to invest personal effort to secure the confidence of commercial buyers. Buyers expect prompt deliveries, precisely filled orders and high quality for all products.

The larger centralized food deliverers provide economies of scale, but suppliers of smaller product volumes (such as those of organic or ethnic foods) may want to check out specialized importers who supply Sweden's retail and HRI sectors. ■

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